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SUBJECT: VANHANEN-FRADKOV: A SHARP EXCHANGE

Classified By: POLCHIEF GREGORY THOME FOR REASONS 1.4 (B) AND (D)

¶11. (C) SUMMARY: Finnish PM Vanhanen and Russian PM Fradkov met May 29 in Helsinki but were unable to resolve a rapidly emerging dispute over Russian tariffs on wood exports. Vanhanen also raised human rights and sharply criticized Moscow's handling of the Bronze Soldier incident in Estonia. In side meetings, senior Finnish officials pressed Deputy FM Titov to allow a UNSCR in support of Ahtisaari's Kosovo proposals to go forward, but Titov offered the same old arguments. End Summary.

¶12. (SBU) Finnish Prime Minister Matti Vanhanen hosted his Russian counterpart, Mikhail Fradkov, for a day of meetings in Helsinki May 29. Johan Schalin, Vahnanen's Senior Advisor for Foreign Affairs, offered PolChief the following readout.

Little Progress on Wood Tariffs

¶13. (C) Vanhanen was able to make little progress in convincing Fradkov that Russia needed to rethink its decision to unilaterally impose a tariff on wood exports. Finland's huge paper industry depends on Russian wood for more than 30 percent of its production, and the tariffs would present an enormous cost to Finnish business. Vanhanen also emphasized to Fradkov that the tariffs are clearly not WTO-compatible, Schalin reported. The WTO question is also particularly problematic for the GOF; like the US, it is a strong supporter of Russian entry into the WTO, Schalin said, but it fears that the wood tariff issue could turn into an obstacle to Russia's accession process. However, this worry notwithstanding, Vanhanen made it clear that Finland would hold Russia to the commitments it made when it began its WTO bid. Moscow has consistently demanded that the dispute be handled bilaterally, and Fradkov brushed aside Vanhanen's insistence that both the EU and WTO considerations had to be included in the discussion. While the two sides made little progress, Schalin said that the conversation remained amiable.

Sharp Words On Estonia

¶14. (C) Things turned less amiable when Vanhanen expressed -- in nuanced tones -- the GOF's concerns about human rights in Russia. Fradkov responded by complaining about a "European double standard" on these questions, and he then launched into a diatribe about the "abuse" Estonia committed when it decided to move the bronze statue. Vanhanen responded sharply, telling Fradkov that Moscow had over-reacted to the issue; had caused the international community to question its commitment to the Vienna Conventions; and that, for Finland, it was "absolutely not acceptable to mess in the affairs of an elected, democratic state." According to Schalin, the room fell silent for several awkward moments, then the

two PMs turned to other issues.

Nothing New on Kosovo

¶5. (C) Fradkov was not authorized to discuss other issues, Schalin reported, but Deputy Foreign Minister Titov did discuss Kosovo on the margins of the PMs' meetings with Finnish MFA State Secretary Pertti Torstila and U/S for Political Affairs Markus Lyra. According to the Finnish MFA's Russia desk, the Finns pressed Russia to find a way to allow a UNSCR in support of UN Special Envoy (and former Finnish President) Martti Ahtisaari's Kosovo final status recommendations to go forward. Titov did not "use the 'veto' word," our contacts reported, but trotted out the usual laundry list of why Russia does not support such a resolution (i.e., Belgrade must support it; it sets a precedent for the Frozen Conflicts, etc.)

Comment

¶6. (C) Although the Finns made little headway on the wood tariff or on Kosovo during Fradkov's visit, it was clear that the GOF does not intend to give any ground either -- a point that Vanhanen's sharp comments on Estonia further emphasized. End Comment.

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